

# Exhibits to Professor Zender's Testimony

**DHB's Stock Price Increased 276% (\$16.54)  
from March 2004 to December 2004  
DHB's Stock Price Decreased 71% (\$15.89)  
from December 2004 to April 2005**



Note: Stock price data obtained from *Bloomberg*.

## Days with Significant Price Changes Between March 2004 and December 2004

Event Number	Date <sup>1</sup>	Price	Residual Return <sup>2</sup>		Relevant News
1	3/16/04	\$5.60	-7.73%	*	Fourth Quarter Revenues Increase 124% to a Record \$72.9 Million (3/15/04, 4:23 pm)
2	3/23/04	\$6.01	9.20%	**	Twelve Months Cash Flow from Operations Turns Positive for DHB reports CashFlowNews.com
3	3/24/04	\$6.54	9.07%	**	Awarded \$77 Million DOD Contract
4	4/7/04	\$8.70	13.03%	**	
5	4/8/04	\$9.74	12.73%	**	
6	4/19/04	\$9.79	9.70%	**	Opens New Manufacturing Facility, Florida Plant Now Fully Operational
7	6/9/04	\$12.54	35.82%	**	Announces \$239.4 Million Contract, Company's Backlog Swells to a Record \$415 Million (6/8/04, 3:26 pm)
8	6/14/04	\$13.46	7.65%	*	
9	6/28/04	\$15.84	7.03%	*	Bulletproof vest maker outruns its fundamentals; DHB shares soar on huge army contract
10	7/14/04	\$15.73	8.59%	*	DHB Industries Announces \$37 Million in New Orders
11	8/2/04	\$17.05	9.75%	**	DHB Industries Announces Second Quarter Earnings Date
12	8/6/04	\$13.50	-15.48%	**	DHB Industries Announces Record 2 <sup>nd</sup> Quarter Revenue of \$86 Million (8/5/04, 4:00 pm)
13	9/24/04	\$13.51	19.00%	**	Roth Capital Initiates Coverage with Strong Buy
14	11/4/04	\$15.74	10.71%	**	DHB Industries Receives \$24.6 Million Order
15	11/15/04	\$18.65	14.95%	**	Schaeffer's Investment Research favorably commented on DHB's stock
16	12/23/04	\$22.53	19.91%	**	Selected by U.S. Army for Prestigious Contract - Backlog Exceeds Half-Billion Dollars

Source: Analyst Reports; *Bloomberg*; CRSP; Factiva; SEC Filings

Note: 1. If the news occurred after market close on a certain day, the return for the next trading day is shown.

2. Residual significant at: \*95% confidence, \*\*99% confidence.

# Days with Significant Price Changes

## New Orders, Facilities, and Positive Analyst Comments

Event Number	Date <sup>1</sup>	Price	Residual Return <sup>2</sup>		Price Change <sup>3</sup>	Relevant News <sup>4</sup>
<i>New Orders/Contracts</i>						
3	3/24/04	\$6.54	9.07%	**	\$0.55	Awarded \$77 Million DOD Contract ( <i>PR Newswire</i> )
7	6/9/04	\$12.54	35.82%	**	\$3.33	Announces \$239.4 Million Contract, Company's Backlog Swells to a Record \$415 Million ( <i>PR Newswire</i> , 6/8/04, 3:26 pm)
10	7/14/04	\$15.73	8.59%	*	\$1.25	DHB Industries Announces \$37 Million in New Orders ( <i>PR Newswire</i> )
14	11/4/04	\$15.74	10.71%	**	\$1.50	DHB Industries Receives \$24.6 Million Order ( <i>PR Newswire</i> )
16	12/23/04	\$22.53	19.91%	**	\$3.70	Selected by U.S. Army for Prestigious Contract – Backlog Exceeds Half-Billion Dollars ( <i>PR Newswire</i> )
<i>New Manufacturing Facilities</i>						
6	4/19/04	\$9.79	9.70%	**	\$0.85	Opens New Manufacturing Facility, Florida Plant Now Fully Operational ( <i>PR Newswire</i> )
<i>Positive Analyst and News Comments on DHB's Business</i>						
2	3/23/04	\$6.01	9.20%	**	\$0.50	Twelve Months Cash Flow from Operations Turns Positive for DHB Reports CashFlowNews.com ( <i>Market News Publishing</i> )
9	6/28/04	\$15.84	7.03%	*	\$1.05	Bulletproof Vest Maker Outruns its Fundamentals; DHB Shares Soar on Huge Army Contract ( <i>Crain's New York Business</i> )
13	9/24/04	\$13.51	19.00%	**	\$2.13	Roth Capital Initiates Coverage with Strong Buy ( <i>Bloomberg News</i> )
15	11/15/04	\$18.65	14.95%	**	\$2.42	Schaeffer's Investment Research Favorably Commented on DHB's Stock ( <i>Business Wire</i> )
<b>Sum of Price Changes</b>					<b>\$17.29</b>	

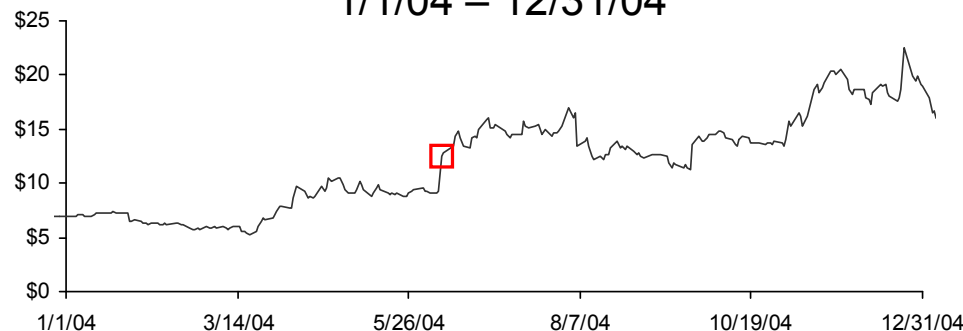
Source: Analyst Reports; Factiva; *Bloomberg*; *CRSP*; SEC Filings

- Note: 1. If the news occurred after market close on a certain day, the return for the next trading day is shown.  
2. Residual significant at: \*95% confidence, \*\*99% confidence.  
3. Calculated as the residual return multiplied by the prior trading day's closing price.  
4. News reflects headlines and events found in the public press or company filings.

## Event 7: June 9, 2004

### DHB Industries Stock Price

1/1/04 – 12/31/04



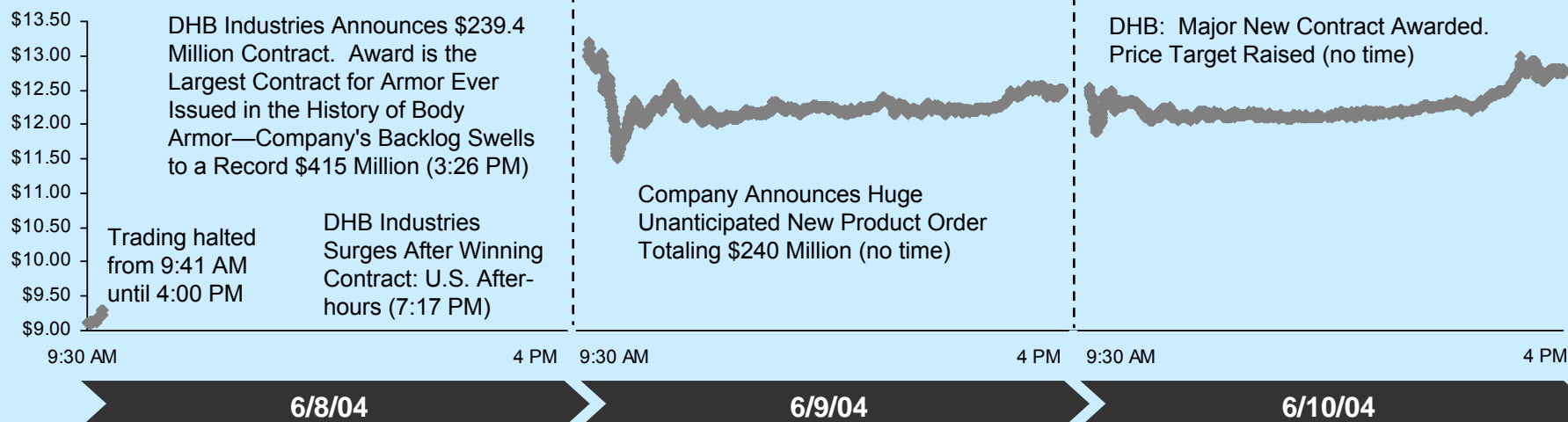
Source: Bloomberg

### Event Day Stock Data

Date	Closing Price	Volume	Return	Residual Return
6/7/04	\$9.11	395,800	-0.55%	-3.69%
6/8/04	\$9.30	697,600	2.09%	2.01%
<b>6/9/04</b>	<b>\$12.54</b>	<b>7,172,200</b>	<b>34.84%</b>	<b>35.82%**</b>
6/10/04	\$12.75	3,332,500	1.67%	1.89%
6/14/04	\$13.46	2,722,000	5.57%	7.65%*

Source: CRSP; Bloomberg; Analyst Reports; SEC Filings

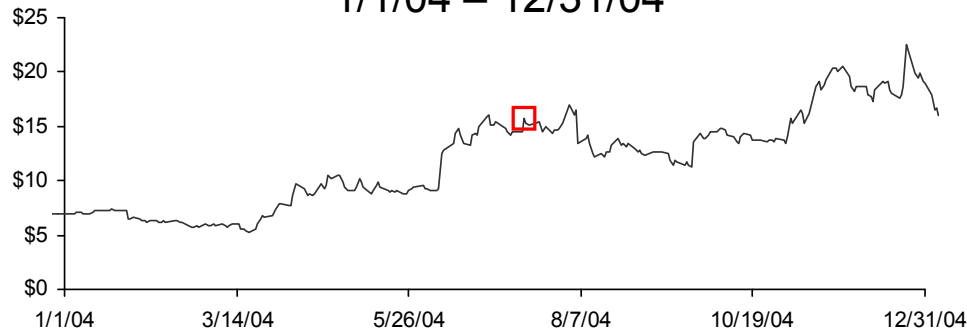
Price



## Event 10: July 14, 2004

### DHB Industries Stock Price

1/1/04 – 12/31/04

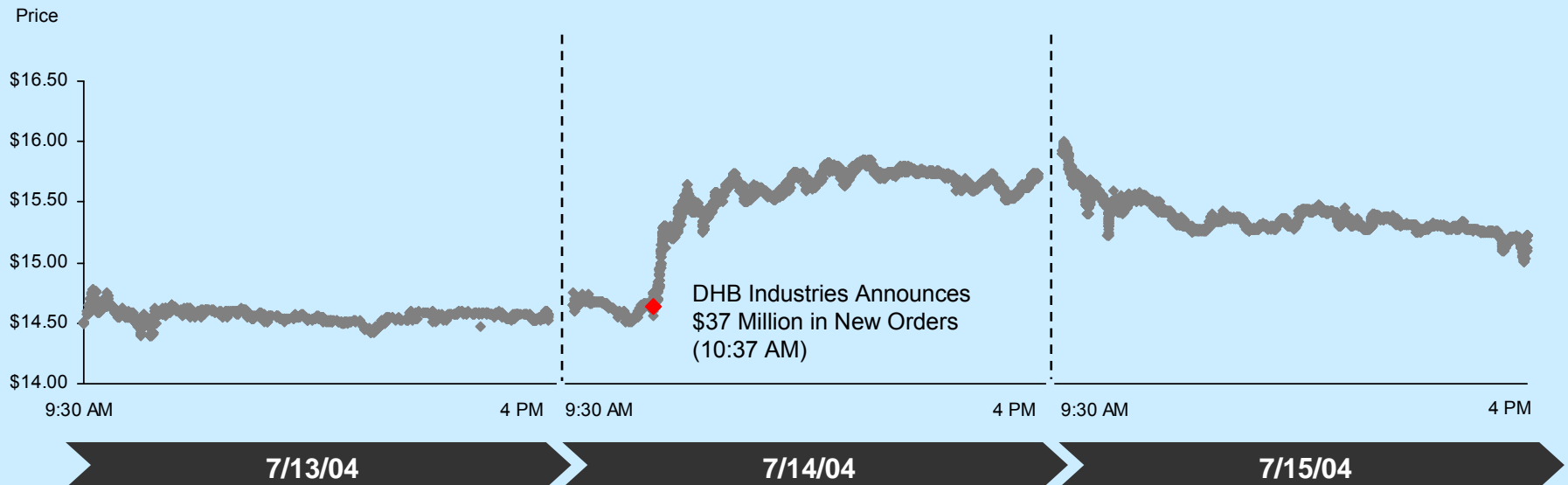


Source: *Bloomberg*

### Event Day Stock Data

Date	Closing Price	Volume	Return	Residual Return
7/12/04	\$14.50	1,002,100	-0.07%	0.13%
7/13/04	\$14.57	418,500	0.48%	0.15%
<b>7/14/04</b>	<b>\$15.73</b>	<b>2,589,500</b>	<b>7.96%</b>	<b>8.59%*</b>
7/15/04	\$15.22	1,469,400	-3.24%	-3.10%
7/16/04	\$15.12	907,700	-0.66%	-1.06%

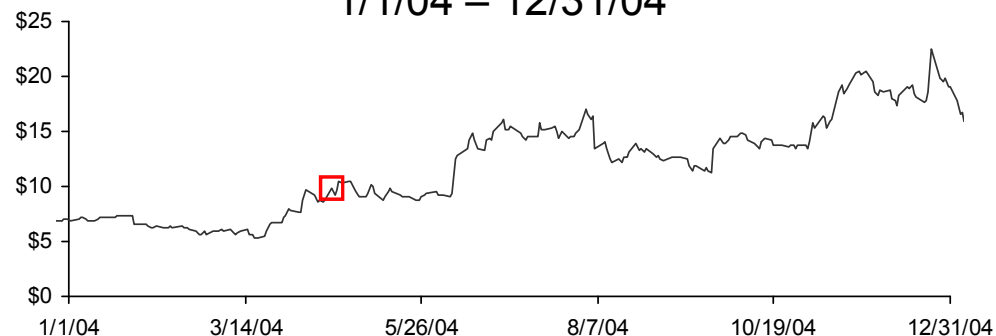
Source: CRSP; *Bloomberg*; Analyst Reports; SEC Filings



## Event 6: April 19, 2004

### DHB Industries Stock Price

1/1/04 – 12/31/04



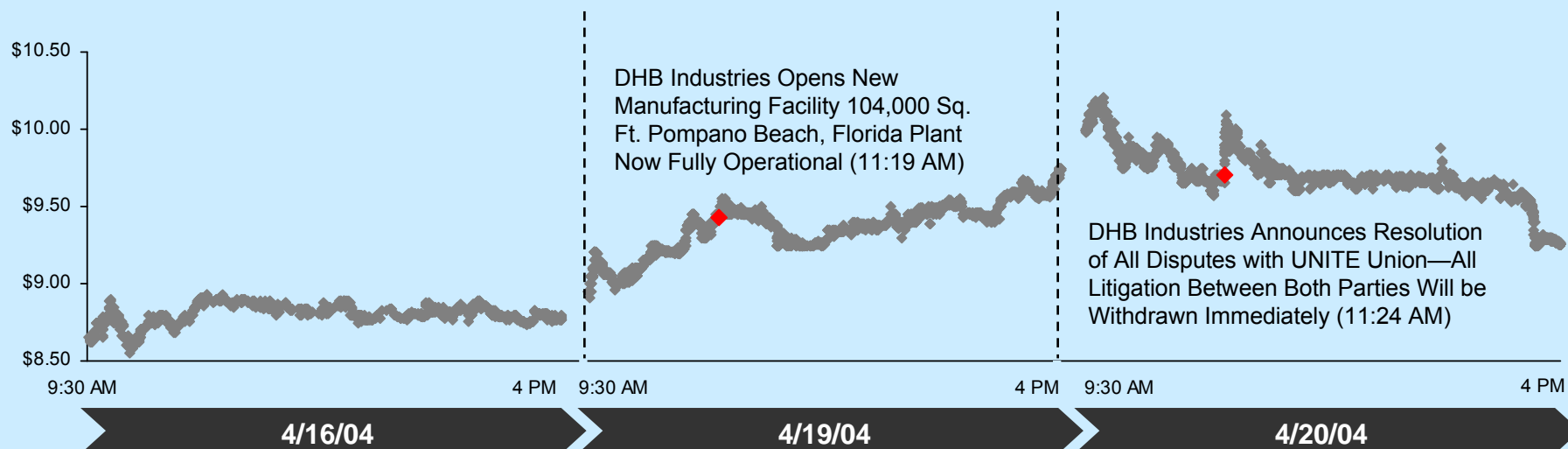
Source: *Bloomberg*

### Event Day Stock Data

Date	Closing Price	Volume	Return	Residual Return
4/15/04	\$8.60	644,500	-2.16%	-2.51%
4/16/04	\$8.79	801,900	2.21%	1.84%
<b>4/19/04</b>	<b>\$9.79</b>	<b>1,872,600</b>	<b>11.38%</b>	<b>9.70% **</b>
4/20/04	\$9.28	2,132,100	-5.21%	-3.51%
4/21/04	\$9.63	850,400	3.77%	2.76%

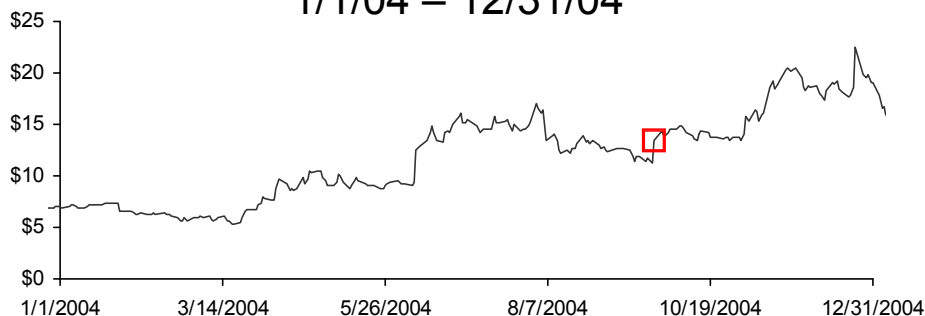
Source: CRSP; *Bloomberg*; Analyst Reports; SEC Filings

Price



## Event 13: September 24, 2004

**DHB Industries Stock Price**  
1/1/04 – 12/31/04

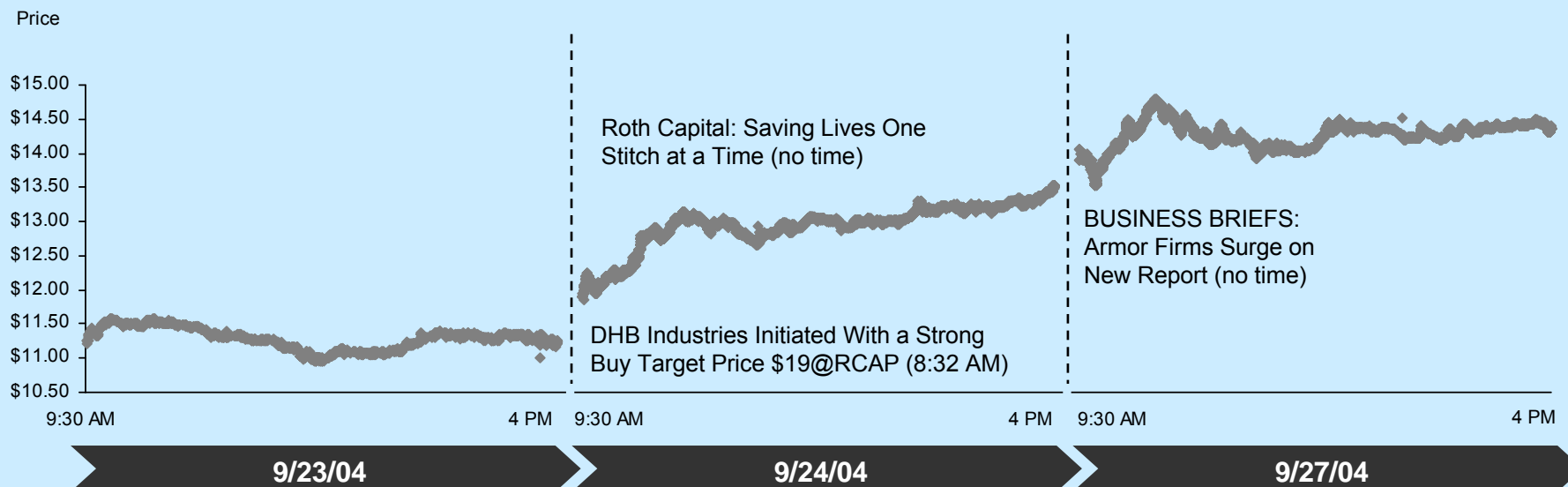


Source: *Bloomberg*

**Event Day Stock Data**

Date	Closing Price	Volume	Return	Residual Return
9/22/04	\$11.35	577,800	-2.83%	-1.70%
9/23/04	\$11.23	805,200	-1.06%	-1.12%
<b>9/24/04</b>	<b>\$13.51</b>	<b>3,672,100</b>	<b>20.30%</b>	<b>19.00%**</b>
9/27/04	\$14.40	3,869,800	6.59%	6.65%
9/28/04	\$13.90	1,997,000	-3.47%	-4.52%

Source: CRSP; *Bloomberg*; Analyst Reports; SEC Filings



## Price Reactions to All Announcements of New Orders March 2004 – December 2004

Date <sup>1</sup>	Price	Residual Return <sup>2</sup>		Price Change <sup>3</sup>	Relevant News <sup>4</sup>
3/24/04	\$6.54	9.07%	**	\$0.55	DHB Industries Awarded \$77 Million DOD Contract – Award Is the Largest Contract for Body Armor Ever Issued by the Department of Defense ( <i>PR Newswire</i> )
4/1/04	\$7.94	5.61%		\$0.41	DHB Industries Announces \$12 Million in New Orders Company Reports Current Backlog of Firm Orders Stands at a Record \$203 Million ( <i>PR Newswire</i> )
4/29/04	\$9.48	-4.12%		-\$0.41	DHB Industries Announces Record \$215+ Million Backlog - Company Announces \$25 Million in New Orders Received Within The Past Week ( <i>PR Newswire</i> )
6/9/04 <sup>5</sup>	\$12.54	35.82%	**	\$3.33	DHB Industries Announces \$239.4 Million Contract; Award is the Largest Contract for Armor Ever Issued in the History of Body Armor ( <i>PR Newswire</i> , 6/8/04, 3:26pm)
7/14/04	\$15.73	8.59%	*	\$1.25	DHB Industries Announces \$37 Million in New Orders ( <i>PR Newswire</i> )
10/5/04	\$14.89	2.22%		\$0.32	DHB Industries Announces \$35+ Million in New Orders ( <i>PR Newswire</i> )
10/29/04	\$13.82	1.80%		\$0.24	DHB Industries Announces \$19 Million in New Orders ( <i>PR Newswire</i> )
11/4/04	\$15.74	10.71%	**	\$1.50	DHB Industries Receives \$24.6 Million Order ( <i>PR Newswire</i> )
12/23/04	\$22.53	19.91%	**	\$3.70	U.S. Army Selects DHB Industries for Prestigious Contract; Contract Awarded Exclusively to Point Blank Body Armor. Company Backlog Soars; Now Exceeds Unprecedented Half-Billion Dollars ( <i>PR Newswire</i> )  DHB Industries Awarded Contract With City of Baltimore ( <i>PR Newswire</i> )
<b>Average Res. Return</b>		<b>9.96%</b>	<b>**</b>	<b>\$10.91</b>	

Source: Analyst Reports; Factiva; *Bloomberg*; *CRSP*; SEC Filings

- Note: 1. If the news occurred after market close on a certain day, the return for the next trading day is shown.  
2. Residual significant at: \*95% confidence, \*\*99% confidence.  
3. Calculated as the residual return multiplied by the prior trading day's closing price.  
4. News reflects headlines and events found in the public press or company filings.  
5. Trading was halted on 6/8/04 before the announcement of the contract.

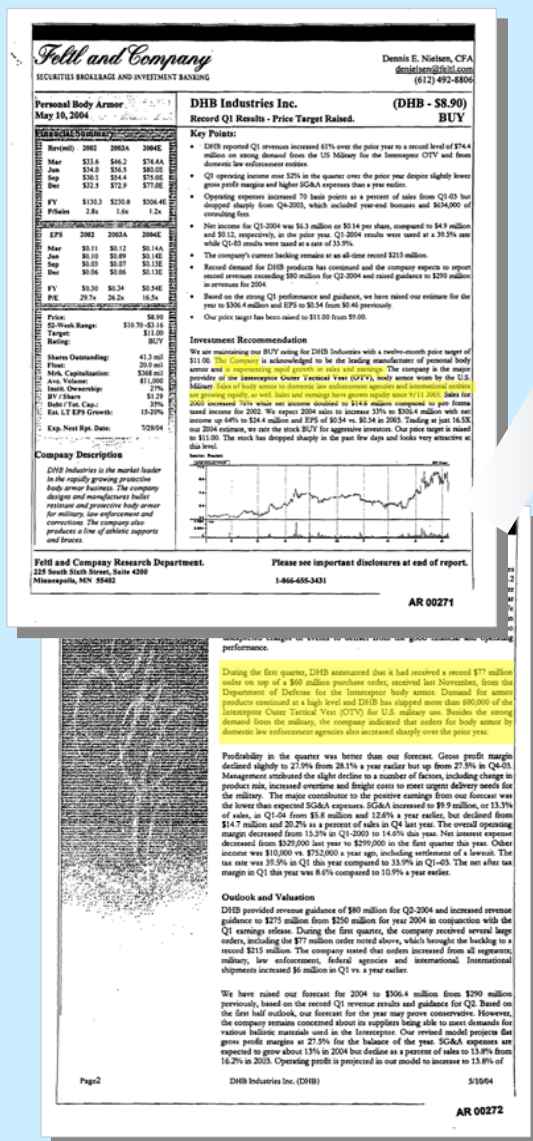
## Price Reactions to Earnings-Related Announcements March 2004 – December 2004

Date <sup>1</sup>	Price	Residual Return <sup>2</sup>	Price Change <sup>3</sup>	Relevant News <sup>4</sup>
<i>Fourth Quarter 2003</i>				
3/10/04†	\$5.66	-0.76%	-\$0.04	DHB Industries Announces Fourth Quarter Earnings Date ( <i>PR Newswire</i> )
3/16/04	\$5.60	-7.73% *	-\$0.47	DHB Industries Fourth Quarter Revenues Increase 124% to a Record \$72.9 Million – Fourth Quarter Operating Income Soars 127% ( <i>PR Newswire</i> , 3/15/04, 4:23 pm)
<i>First Quarter 2004</i>				
5/4/04†	\$9.43	2.10%	\$0.19	DHB Industries Announces First Quarter Earnings Date ( <i>PR Newswire</i> )
5/7/04	\$9.36	-4.48%	-\$0.45	DHB Industries Announces Record 1 <sup>st</sup> Quarter Revenue of \$74.4 Million and Record Earnings of \$0.14 Per Share ( <i>PR Newswire</i> , 5/6/04, 4:00 pm)
<i>Second Quarter 2004</i>				
8/2/04†	\$17.05	9.75% **	\$1.48	DHB Industries Announces Second Quarter Earnings Date ( <i>PR Newswire</i> )
8/6/04	\$13.50	-15.48% **	-\$2.55	DHB Industries Announces Record 2 <sup>nd</sup> Quarter Revenue of \$86 Million and Record Earnings of \$0.17 Per Share ( <i>PR Newswire</i> , 8/5/04, 4:00 pm)
<i>Third Quarter 2004</i>				
11/3/04†	\$14.05	1.47%	\$0.20	DHB Industries Announces Third Quarter Earnings Date ( <i>PR Newswire</i> )
11/10/04	\$15.26	-6.36%	-\$1.03	DHB Industries Achieves Record Third Quarter Results; Company Ups Guidance for Full-Year 2004 Revenue to Exceed \$330 Million ( <i>PR Newswire</i> , 11/9/04, 4:00 pm)
<b>Average Residual Return</b>		<b>-2.69%</b>	<b>* - \$2.67</b>	

Source: Analyst Reports; Factiva; *Bloomberg*; *CRSP*; SEC Filings

- Note: 1. † Indicates announcement of earnings date. If the news occurred after market close on a certain day, the return for the next trading day is shown.  
2. Residual significant at: \*95% confidence, \*\*99% confidence.  
3. Calculated as the residual return multiplied by the prior trading day's closing price.  
4. News reflects headlines and events found in the public press or company filings.

# Rapid Growth in Sales and Earnings Due to New Contracts



“The Company... is experiencing rapid growth in sales and earnings...Sales of body armor to domestic law enforcement agencies and international entities are growing rapidly, as well. Sales and earnings have grown rapidly since 9/11 2001....

During the first quarter, DHB announced that it had received a record \$77 million order on top of a \$60 million purchase order, received last November, from the Department of Defense for the Interceptor body armor. Demand for armor products continued at a high level and DHB has shipped more than 600,000 of the Interceptor Outer Tactical Vest (OTV) for U.S. military use. Besides the strong demand from the military, the company indicated that orders for body armor by domestic law enforcement agencies also increased sharply over the prior year.”

Feltl and Company, 5/10/04

# Rapid Growth in Sales and Earnings Due to New Contracts, cont'd.

**Feltl and Company**  
SECURITIES BROKERAGE AND INVESTMENT BANKING

Dennis E. Nielsen, CFA  
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(612) 492-8806

**Personal Body Armor**  
June 10, 2004

**DHB Industries Inc. (DHB - \$12.10)**  
Major New Contract Awarded - Price Target Raised. **BUY**

**Financial Summary**

	2002	2003A	2004E
Rev(mil)	\$33.6	\$46.2	\$74.4A
Mar	\$34.0	\$56.5	\$80.0E
Jun	\$30.1	\$54.4	\$95.0E
Sep	\$32.5	\$72.9	\$107.0E
Dec			
FY	\$130.3	\$230.0	\$356.4E
P/Sales	3.8x	2.2x	1.4x

	2002	2003A	2004E
EPS	\$0.11	\$0.12	\$0.14A
Mar	\$0.10	\$0.09	\$0.14E
Jun	\$0.03	\$0.07	\$0.17E
Sep	\$0.06	\$0.06	\$0.20E
Dec			
FY	\$0.30	\$0.34	\$0.64E
P/E	40.3x	35.6x	18.9x

Price: \$12.10  
52-Week Range: \$13.20-\$13.16  
Target: \$13.00  
Rating: **BUY**

Shares Outstanding: 41.3 mil  
Float: 20.0 mil  
Mkt. Capitalization: \$500 mil  
Avg. Volume: 914,000  
Inst. Ownership: 25%  
BV / Share: \$1.29  
Debt / Tot. Cap.: 35%  
Est. LT EPS Growth: 15-20%

Exp. Next Rpt. Date: 7/29/04

**Company Description**  
DHB Industries is the market leader in the rapidly growing protective body armor business. The company designs and manufactures bullet resistant and protective body armor for military, law enforcement and corrections. The company also produces a line of athletic supports and braces.

**Key Points:**

- DHB announced that the company was awarded a \$239.4 million contract from the U.S. Army covering three years for a newly developed body armor system.
- The contract is for the company's Dorsal Auxiliary Protection System (DAPS) that provides additional protection by shielding the under arm, shoulder and upper arm area not covered by the Interceptor. The system was developed by DHB in response to the increased threat from improvised explosive devices by terrorists.
- In addition to providing a substantial new base of business, it also represents a new body armor product that complements the company's position as the leading provider of the Interceptor body armor that provides protection for the torso.
- The company's backlog now is at an all-time record \$415 million, up from \$215 million one month ago. We expect further awards of body armor contracts in coming months.
- Record demand for DHB products has continued and the company expects to report record revenues exceeding \$80 million for Q2-2004. The company raised guidance to \$275 million in revenues for 2004 at the time of Q1 earnings release.
- Based on the announcement of this contract award, we have increased our revenue estimate for 2004 by \$50 million to \$356 million, up 55% from 2003. Estimated EPS is raised to \$0.64 from \$0.54 previously compared to \$0.34 for 2003.
- Our price target has been raised to \$13.00 from \$11.00, pending revised guidance from the company.

**Investment Recommendation**  
We are maintaining our BUY rating for DHB Industries with a twelve-month price target of \$13.00. The Company is acknowledged to be the leading manufacturer of personal body armor and is experiencing rapid growth in sales and earnings. The company is the major provider of the Interceptor Outer Tactical Vest (OTV), body armor worn by the U.S. Military. Sales of body armor to domestic law enforcement agencies and international entities are growing rapidly, as well. Sales for 2003 increased 76% while net income doubled to \$14.8 million compared to pro forma taxed income for 2002. We now expect 2004 sales to increase 55% to \$356.4 million with net income up 97% to \$29.2 million and EPS of \$0.64 vs. \$0.34 in 2003. Trading at 18.9X our 2004 estimate, we rate the stock BUY for aggressive investors. Our price target is raised to \$13.00. The stock is up sharply this week and investors are cautioned that the stock price has been volatile.

Source: Reuters

Feltl and Company Research Department.  
225 South Sixth Street, Suite 4200  
Minneapolis, MN 55402

Please see important disclosures on pages 4 - 6.  
1-866-655-3431  
AR 00279

"The company's backlog now is at an all-time record \$415 million, up from \$215 million one month ago. We expect further awards of body armor contracts in coming months."

Feltl and Company, 6/10/04

# Rapid Growth in Sales and Earnings Due to New Contracts, cont'd.

Miller Johnson Steichen Kinnard  
RESEARCH UPDATE  
November 10, 2004

DHB Industries, Inc. (AMEX:DHB \$16.20)  
BUY

**MJSK - DHB - STRONG 3Q04 RESULTS; VISIBILITY IMPROVING**

**INVESTMENT SUMMARY**

DHB reported another strong quarter of sales growth. 3Q04 (ended September) sales of \$89.4 million were ahead of our estimate of \$87.1 million and 64% ahead of 3Q03 sales of \$54.4 million. Sales in the Company's Armor Group increased 65% to \$87.6 million in 3Q04 from \$53.0 million in 3Q03, driven primarily by sales to the military. This growth rate accelerated from a rate of 54% in 3Q04. Approximately 76% of 3Q04 sales went to the military. Besides the strength in military business, we believe orders from domestic law enforcement have also gained momentum. DHB indicated in recent quarters that it has gained new customers in domestic law enforcement as well as expanding its distribution network to this segment. We believe the Company is gaining share in the expanding law enforcement market, as attorneys general in several states have brought lawsuits against DHB's competitors due to unreliable products. Sales in the Company's Sports Group increased 26% to \$1.8 million in 3Q04 from \$1.4 million in 3Q03.

The Company's Florida production facilities sustained no damage from the numerous hurricanes that occurred throughout the quarter. Facilities did shut down at times to allow employees to prepare for the arrival of hurricanes. However, the facilities made up for these lost production hours on weekends and other available shifts. We believe DHB's 3Q04 results were not materially affected by the hurricanes.

The Company reported 3Q04 EPS of \$0.18, which was well ahead of our estimate of \$0.15 and 157% ahead of 3Q03 EPS of \$0.07. Gross margin of 27.8% was slightly ahead of our assumption of 27.6%. SG&A was 13.0% of sales, which was better than our assumption of 13.5% of sales. Operating margin of 14.9% was ahead of our 14.1% estimate. 3Q03 operating margin was 10.6%. We believe DHB has reached sales levels where operating leverage is becoming significant. The table below summarizes DHB's 3Q04 results.

	3Q04 Actual	3Q04 Estimate	Variance	3Q03 Actual	YOY Variance	YOY Growth
Sales (\$mil)	89.4	87.1	2.3	54.4	35.0	64.3%
Gross Margin	27.8%	27.6%	0.2%	27.2%	0.6%	
Operating Income (\$mil)	13.3	12.3	1	5.8	7.5	129.3%
Operating Margin	14.9%	14.1%	0.8%	10.6%	4.3%	
Net Income (\$mil)	8.1	7.1	1	3.2	4.9	153.1%
EPS	0.18	0.15	0.03	0.07	0.11	157.1%

DHB's backlog now exceeds \$365 million, as compared to \$393 million three months ago. The backlog figure tends to fluctuate on a monthly basis. Roughly 40% of the backlog is for non-military customers. The Company has announced approximately \$40 million in various new orders in recent weeks. All of these orders have been for non-Interceptor products. This is significant, in our view, because it shows that DHB has the ability to diversify its product mix beyond simply supplying the military with the Interceptor systems. The Company now also sells complementary products to the military, as well as growing its business with non-military segments like Domestic Law Enforcement agencies. There are currently a number of R&D initiatives, as well as various new products in either the prototype or field testing stage. Along with several other contract announcements earlier this year, the recent orders increase our visibility into the next couple of years. We are confident that significant order activity will continue from all customer segments for a variety of DHB products.

We are not changing our 4Q04 sales estimate of \$94.9 million. However, our 4Q04 EPS estimate is increased to \$0.17 from \$0.16 due to an improving operating margin and a slightly lower tax rate. Management stated that it now expects revenues of at least \$330 million for the full fiscal 2004 (ending December). This is an increase from 3 months ago, when management called for sales of at least \$300 million in FY04. Our FY04 sales estimate is increased to \$344.7 million from \$342.1 million due to the update in 3Q04 results. Our FY04 EPS estimate is increased to \$0.65 from \$0.62. We believe DHB will continue to generate strong sales and earnings results in FY05, with the strong backlog and potential for more significant contracts fueling our optimism. The Company has ample production capacity to keep up with industry demand. We believe our FY05 sales estimate of \$402.2 million is achievable. This represents growth of 17% over our FY04 sales estimate. We are increasing our FY05 EPS estimate to \$0.81 from \$0.79 due to the favorable trend in operating margin and a slightly lower estimated tax rate.

Overall, DHB's business continues to perform well in all markets, driven by both increasing industry demand and DHB's ability to introduce new forms of life-saving products. Visibility continues to improve as the Company wins orders from various customers and for a variety of products. We continue to believe there are significant near-term opportunities for large military contracts. We are maintaining our \$22 price target. However, the stock may show weakness in the coming days due to both the recent run-up leading to the quarterly announcement, as well as the continued conservative stance of management's sales guidance. We view any decline from current levels as a buying opportunity.

DHB Industries, Inc. Page 2 Miller Johnson Steichen Kinnard

"...The Company has announced approximately \$80 million in various new orders in recent weeks. All of these orders have been for non-Interceptor products. This is significant, in our view, because it shows that DHB has the ability to diversify its product mix beyond simply supplying the military with the Interceptor systems...."

We believe DHB will continue to generate strong sales and earnings results in FY05, with the strong backlog and potential for more significant contracts fueling our optimism....

Visibility continues to improve as the Company wins orders from various customers and for a variety of products. We continue to believe there are significant near-term opportunities for large military contracts...."

Miller Johnson Steichen Kinnard, 11/10/04

# Positive Industry Trends

Miller Johnson Steichen Kinnard  
RESEARCH UPDATE  
DHB Industries, Inc. (AMEX:DHB \$16.20)  
BUY

**MJSK - DHB - STRONG 3Q04 RESULTS; VISIBILITY IMPROVING**

**INVESTMENT SUMMARY**  
DHB reported another strong quarter of sales growth. 3Q04 (ended September) sales of \$89.4 million were ahead of our estimate of \$87.1 million and 64% ahead of 3Q03 sales of \$54.4 million. Sales in the Company's Armor Group increased 65% to \$87.6 million in 3Q04 from \$53.0 million in 3Q03, driven primarily by sales to the military. This growth rate accelerated from a rate of 54% in 2Q04. Approximately 76% of 3Q04 sales went to the military. Besides the strength in military business, we believe orders from domestic law enforcement have also gained momentum. DHB indicated in recent quarters that it has gained new customers in domestic law enforcement as well as expanding its distribution network to this segment. We believe the Company is gaining share in the expanding law enforcement market, as attorneys general in several states have brought lawsuits against DHB's competitors due to unreliable products. Sales in the Company's Sports Group increased 26% to \$1.8 million in 3Q04 from \$1.4 million in 3Q03.

The Company's Florida production facilities sustained no damage from the numerous hurricanes that occurred throughout the quarter. Facilities did shut down at times to allow employees to prepare for the arrival of hurricanes. However, the facilities made up for these lost production hours on weekends and other available shifts. We believe DHB's 3Q04 results were not materially affected by the hurricanes.

The Company reported 3Q04 EPS of \$0.18, which was well ahead of our estimate of \$0.15 and 157% ahead of 3Q03 EPS of \$0.07. Gross margin of 27.8% was slightly ahead of our assumption of 27.6%. SG&A was 13.0% of sales, which was better than our assumption of 13.5% of sales. Operating margin of 14.9% was ahead of our 14.1% estimate. 3Q03 operating margin was 10.6%. We believe DHB has reached sales levels where operating leverage is becoming significant. The table below summarizes DHB's 3Q04 results.

**DHB 3Q04 results**

	3Q04 Actual	3Q04 Estimate	Variance	3Q03 Actual	Variance	YOY Growth
Sales (\$mil)	89.4	87.1	2.3	54.4	35.0	64.3%
Gross Margin	27.8%	27.6%	0.2%	27.2%	0.6%	
Operating Income (\$mil)	13.3	12.3	1	5.8	7.5	129.3%
Operating Margin	14.9%	14.1%	0.8%	10.6%	4.3%	
Net Income (\$mil)	8.1	7.1	1	3.2	4.9	153.1%
EPS	0.18	0.15	0.03	0.07	0.11	157.1%

DHB's backlog now exceeds \$365 million, as compared to \$393 million three months ago. The backlog figure tends to fluctuate on a monthly basis. Roughly 40% of the backlog is for non-military customers. The Company has announced approximately \$80 million in various new orders in recent weeks. All of these orders have been for non-Interceptor products. This is significant, in our view, because it shows that DHB has the ability to diversify its product mix beyond simply supplying the military with the Interceptor systems. The Company now also sells complementary products to the military, as well as growing its business with non-military segments like Domestic Law Enforcement agencies. There are currently a number of R&D initiatives, as well as various new products in either the prototype or field testing stage. Along with several other contract announcements earlier this year, the recent orders increase our visibility into the next couple of years. We are confident that significant order activity will continue from all customer segments for a variety of DHB products.

We are not changing our 4Q04 sales estimate of \$94.9 million. However, our 4Q04 EPS estimate is increased to \$0.17 from \$0.16 due to an improving operating margin and a slightly lower tax rate. Management stated that it now expects revenues of at least \$330 million for the full fiscal 2004 (ending December). This is an increase from 3 months ago, when management called for sales of at least \$300 million in FY04. Our FY04 sales estimate is increased to \$344.7 million from \$342.1 million due to the upside in 3Q04 results. Our FY04 EPS estimate is increased to \$0.65 from \$0.62. We believe DHB will continue to generate strong sales and earnings results in FY05, with the strong backlog and potential for more significant contracts fueling our optimism. The Company has ample production capacity to keep up with industry demand. We believe our FY05 sales estimate of \$402.2 million is achievable. This represents growth of 17% over our FY04 sales estimate. We are increasing our FY05 EPS estimate to \$0.81 from \$0.79 due to the favorable trend in operating margin and a slightly lower estimated tax rate.

Overall, DHB's business continues to perform well in all markets, driven by both increasing industry demand and DHB's ability to introduce new forms of life-saving products. Visibility continues to improve as the Company wins orders from various customers and for a variety of products. We continue to believe there are significant near-term opportunities for large military contracts. We are maintaining our \$22 price target. However, the stock may show weakness in the coming days due to both the recent run-up leading to the quarterly announcement, as well as the continued conservative stance of management's sales guidance. We view any decline from current levels as a buying opportunity.

(PLEASE SEE ATTACHED SLIDES FOR ADDITIONAL INFORMATION)

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DHB Industries, Inc. Page 2 Miller Johnson Steichen Kinnard

“Overall, DHB’s business continues to perform well in all markets, driven by both increasing industry demand and DHB’s ability to introduce new forms of life-saving products....”

Miller Johnson Steichen Kinnard, 11/10/04

## RESEARCH



ROTH CAPITAL PARTNERS

DHB INDUSTRIES, INC.

## SUMMARY

Today, the U.S. armed services are battling a new enemy, terrorists and so called "guerrilla fighters", requiring the military to act, deploy and wage campaigns much more quickly and precisely than before. That response thereby requires forces armed with lighter and more mobile equipment, new technology and new systems, including armor. Battles in Iraq are taking place in random city streets and insurgents are using mortars, rocket propelled grenades, car bombs, suicide bombers, land mines and homemade improvised explosive devices (IEDs) to kill U.S. troops. The U.S. military is also using a new type of armor, called "booby traps in Iraq have steadily claimed responsibility for a number of injuries and fatalities of U.S. soldiers. In response to these specific threats and others, the U.S. government has been acquiring at an unprecedented rate armored up vehicles, aftermarket armor kits, combat helmets, and body armor. In times of war comes technological innovation and DHB Industries has tackled the IED threat head on with the production of the **Enhancement System (APES)** for the Marines. DAPS is an innovative form of soft body armor composed of DuPont's Condura® and Kevlar® materials that armors a soldier's vulnerable upper arm and armpit areas. In addition to protecting against 9-millimeter bullets, DAPS is capable of protecting against shrapnel dispersed from IEDs. Setting DHB apart from the competition, in our opinion, was DHB's quick development time that converted in less than six weeks the first prototype system into a \$239 million contract award over a three-year



Source: DHR Industries, Inc.

DHIB is more than a company; it is a philosophy of belief based on the motto "We are in R&D," referring to customers and users in the field, and precise execution on the cutting floor. New York-based **DHB Industries, Inc.**, founded in 1992, is a holding company that trades on AMEX and consists of two divisions. **DHB Armor Group** specializes in the soft body armor market and is composed of **Point Blank Armor** and **Protective Apparel Corporation of America (PACA)**. PACA was acquired in 1992 whereas Point Blank was acquired out of bankruptcy in 1995. Along the way, the holding corp. acquired and divested a few other businesses and now has a portfolio consisting of its growth oriented (as yet unacquired) small growth rate of revenue. The Armor Group primarily manufactures concealable armor worn underneath clothing and designed to protect against lower types of threats; tactical armor worn externally and used to protect against higher classification of threats; and a customized version that combines features of both concealable and tactical types of armor. Some of the Armor Group's customers include the U.S. Air Force, Army, Marine Corps, Navy and Coast Guard; North Atlantic Treaty Organization; Bureau of Alcohol, Tobacco and Firearms; Department of Homeland Security; Drug Enforcement Agency; Federal Bureau of Investigation; U.S. Marshals Service; and the U.S. Postal Service, among others. Other customers include the Los Angeles Police Department, California Highway Patrol, the New York Police Department, and state corrections institutions.

We are initiating coverage of DHB Industries with a **STRONG BUY** rating and a twelve-month price target of \$19.00.

ROTH CAPITAL PARTNERS, L.L.C.

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“DHB is more than a ‘cut-and-sew’ operation. Their success, as demonstrated by the company's financials and supported by numerous letters of appreciation, we believe is based on its investment in R&D, listening to customers and users in the field, and precise execution on the cutting floor....”

Roth Capital, 9/24/04

# Announcements of Relationship with Tactical Armor Products (TAP)/Compensation

Date	Price	Return	Relevant Events
6/12/03	\$3.73	-7.44%	A complaint letter filed today against DHB Industries with the SEC alleges DHB continued to violate federal securities regulations requiring disclosure of material information. The complaint alleges that DHB executives failed to disclose to investors that they had established a private company operating inside the publicly traded DHB. ( <i>Bloomberg</i> )
6/17/03	\$3.68	0.00%	David Brooks responds to complaint allegations and states that disclosures about related-party transactions were made in the past and the company will include any required information in the next proxy statement. ( <i>Bloomberg</i> )
7/24/03	\$4.44	1.37%	DHB filed an amended Form 10-K for the year 2002 disclosing DHB's relationship with TAP for the first time. (DHB Form 10-K/A)
8/28/03	\$3.99	-7.21%	DHB filed an 8-K stating, among other things, that Grant Thornton had indentified deficiencies related to the disclosure of certain related party transactions in 2002. (DHB Form 8-K, 8/27/03, 5:21 pm)
3/17/04	\$5.60	0.00%	DHB filed a 10-K for the year 2003 that disclosed DHB's relationship with TAP. (DHB Form 10-K, 3/16/04, 5:26 pm)  "DHB Says SEC Investigating Transactions with CEO's Affiliates." ( <i>Bloomberg</i> , 3/16/04, 7:09 pm)
11/26/04	\$20.46	1.79%	DHB filed a proxy statement with the SEC containing a disclosure regarding executive compensation. (DHB DEF 14A, 11/24/04, 4:30 pm)

Source: Factiva; *Bloomberg*; *CRSP*; Superseding Indictment dated July 9, 2009

# Analysts' Comments Regarding DHB's Relation with TAP

# Feltl and Company

SECURITIES BROKERAGE AND INVESTMENT BANKING

Dennis E. Nielsen, CFA  
 dnieisen@feltl.com  
 (612) 492-8806

**Personal Body Armor**  
 October 12, 2004

**DHB Industries Inc.**  
 Outlook continues to look good for 2004.

**(DHB - \$13.97)**  
**HOLD**

## Financial Summary

Rev(mil)	2002	2003A	2004E
Mar	\$33.6	\$46.2	\$74.4A
Jun	\$34.0	\$56.5	\$86.1A
Sep	\$30.1	\$54.4	\$90.0E
Dec	\$32.5	\$72.9	\$105.0E
FY	\$130.3	\$230.0	\$355.5E
P/Sales	4.4x	2.5x	1.6x

## EPS

EPS	2002	2003A	2004E
Mar	\$0.11	\$0.12	\$0.14A
Jun	\$0.10	\$0.09	\$0.17A
Sep	\$0.03	\$0.07	\$0.17E
Dec	\$0.06	\$0.06	\$0.19E
FY	\$0.30	\$0.34	\$0.66E
P/E	46.6x	41.1x	21.2x

Price:	\$13.97
52-Week Range:	\$17.40 - \$4.40
Target:	N/A
Rating:	HOLD
Shares Outstanding:	41.3 mil
Float:	24.2 mil
Mkt. Capitalization:	\$576 mil
Ave. Volume:	1,185,000
Instit. Ownership:	30%
BV/Share	\$1.47
Debt / Tot. Cap:	42%
Est. LT EPS Growth:	15-20%

Exp. Next Rpt. Date: 11/03/04

## Company Description

DHB Industries is the market leader in the rapidly growing protective body armor business. The company designs and manufactures bullet resistant and protective body armor for military, law enforcement and corrections. The company also produces a line of athletic supports and braces.

## Key Points:

- A research firm has issued a report highlighting a number of issues regarding DHB and its management. We believe these issues have been addressed previously and have not changed our outlook or estimates for DHB stock and its valuation.
- One of the issues raised was the negative cash flow from operations. Considering the 52% sales growth in Q2, the resulting bldg in accounts receivable and growth in inventories to support further growth, and the setting up of a new manufacturing facility, we don't consider the cash flow issue to be a significant negative.
- Another issue relates to the growth in accounts receivable. At quarter end, days sales outstanding increased over Q1 and the year earlier period. On the Q2 conference call the CFO noted that they expected accounts receivable to decline from \$58.8 million 6/30 by the end of July and that DSCW would decline accordingly. Also, it was noted that the allowance for doubtful accounts continued to grow downward trend as a percent accounts receivable. We think the growing proportion of sales to the US Military, with collection experience, explains the lower allowance.
- The report also cited the related party transactions between DHB and TAP, an entity owned by the wife of DHB Chairman David Brooks. We note that the report did indicate that the level of TAP business had declined sharply from 2003. While related party transactions are always a concern, this issue was well known and previously disclosed. Similarly, the leasing of a facility by DHB that is owned by Mrs. Brooks is an old issue.
- The report also noted that Chairman Brooks owns all of the outstanding 12% preferred stock issued by DHB. This is not new information, as the stock was issued in exchange for a 12% note early in 2002 to increase the equity at DHB.
- The final issue that was discussed in the investigation by the SEC that initially focused on related party transactions between DHB and affiliates of Brooks. According to the latest 10Q, the SEC investigation has been expanded to include matters related to treatment of executive compensation. The status of the investigation is unknown, but the company reported that it has submitted extensive information to the SEC regarding executive compensation.

## Investment Recommendation

We are maintaining our HOLD rating for DHB Industries. The issues raised in the above report are well known to DHB investors, in our opinion. Though related party transactions, and especially the SEC investigation, create uncertainties for investors, we think the stock price reflects those unknowns. The Company is acknowledged to be the leading manufacturer of personal body armor and is experiencing rapid growth in sales and earnings. DHB is the major provider of the Interceptor Outer Tactical Vest (OTV), body armor worn by the U.S. Military. Sales of body armor to domestic law enforcement agencies and international entities are growing rapidly, as well. Net sales and earnings have grown rapidly since 9/11. 2001. For 2003 increased 76% while net income doubled to \$14.8 million compared to prior years taxed income for 2002. We expect 2004 sales to increase 54% to \$300 million and EPS to \$0.66 and EPS of \$0.66 vs. \$0.34 in 2003. Trading at 21.2x our 2004 estimate, we rate the stock HOLD for aggressive investor. The stock has nearly doubled since March 31 and investors are cautioned that the stock price has been volatile.

Feltl and Company Research Department.  
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Please see Important disclosures on pages 4 to 6.  
 1-866-655-3431

AR 00300

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Feltl and Company, 10/12/04

# Analysts' Comments Regarding Executive Compensation

**Feltl and Company**  
SECURITIES BROKERAGE AND INVESTMENT BANKING

Dennis E. Nielsen, CFA  
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October 12, 2004

**DHB Industries Inc.**  
Outlook continues to look good for 2004.  
(DHB - \$13.97)  
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Dec	\$32.5	\$72.9	\$185.0E
FY	\$130.3	\$230.0	\$355.5E
P/Sales	4.4x	2.5x	1.6x

**EPS**

	2002	2003A	2004E
Mar	\$0.11	\$0.12	\$0.14A
Jun	\$0.10	\$0.09	\$0.17A
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FY	\$0.30	\$0.34	\$0.66E
P/E	46.6x	41.1x	21.2x

Price: \$13.97  
52-Week Range: \$17.40 - \$4.40  
Target: N/A  
Rating: HOLD

Shares Outstanding: 41.3 mil  
Float: 24.2 mil  
Mkt. Capitalization: \$576 mil  
Avg. Volume: 1,185,000  
Instl. Ownership: 30%  
BV / Share: \$1.47  
Debt / Tot. Cap: 42%  
Est. LT EPS Growth: 15-20%

Exp. Next Rpt. Date: 11/03/04

**Company Description**  
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AR 00300

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Feltl and Company, 10/12/04

## Days with Significant Price Changes December 2004 – April 2005

Date <sup>1</sup>	Price	Residual Return <sup>2</sup>	Relevant News <sup>3</sup>
12/27/04	\$19.90	-10.88% **	
1/11/05	\$14.85	-7.24% *	The chairman and other top executives at DHB Industries sold more than \$200 million worth of DHB stock in the final weeks of 2004. ( <i>Newsday</i> )
3/1/05	\$12.30	-13.66% **	DHB Options volume aggressive on share price sell off DHB is down 1.92 to 12.27 on possibly losing a body armor contract. ( <i>Bloomberg</i> )
3/4/05	\$11.04	-11.67% **	
3/7/05	\$12.23	10.96% **	DHB Industries Announces Fourth Quarter and Year-End Date ( <i>PR Newswire</i> )
3/17/05	\$10.37	-13.09% **	DHB Industries Posts Record Fourth Quarter Results; Fourth Quarter EPS Increases 200% to Record \$0.18 and Fourth Quarter Revenues Climb 24% to Record \$90.2 Million ( <i>PR Newswire</i> , 3/16/05, 4:05 pm)
4/6/05	\$9.63	15.13% **	ManageSource Research, Inc. releases a wholly independent research report on DHB Industries with a Strong Buy rating. ( <i>Market Wire</i> )

Source: Analyst Reports; Factiva; *Bloomberg*; CRSP; SEC Filings

- Note: 1. If the news occurred after market close on a certain day, the return for the next trading day is shown.  
2. Residual significant at: \*95% confidence, \*\*99% confidence.  
3. News reflects headlines and events found in the public press or company filings.